



DEPARTMENT OF STATE

Washington, D.C. 20520

NEAG 4962-81

August 7, 1981

LIMITED OFFICIAL USE
(With SECRET Attachment)

MEMORANDUM FOR: OVP - Ms. Nancy Bearg Dyke
 NSC - Mr. Allen Lenz
 DOD - Mr. Jay Rixse
 JCS - LTG Paul Gorman
 Interior - Mr. Kent Larsen
 OMB - Mr. William Schneider
 UNA - Amb. Harvey Feldman
 Justice - Mr. Henry Habicht
 Office of Micronesian Status Negotiations -
 LTC A. V. Short

SUBJECT: Micronesia SIG Documents

Attached are final revisions to the Executive Summary of SIGM Number 5 and the full text of the final draft NSDD. The revisions bring the texts into conformity with decisions taken at the SIG. Revised language is bracketed. No revisions to the body of SIGM Number 5 were necessary.

Also attached is a Congressional letter from Representative Solarz which arrived after preparation of the SIGM and which will be included with other Congressional correspondence in Appendix A.

Addressees are requested to review the amendments. Disapprovals only should be reported by telephone to Mr. Teare at 343-9143 by COB Monday, August 10. No action is required to report clearance.

The SIG intends to transmit the NSDD formally to the White House on Tuesday August 11 if no objection is received. SIG members will be provided the full set of final documents at that time.

State Dept. review completed

L. Paul Bremer, III
 Executive Secretary

Attachments:

1. Revised pages of Executive Summary
2. NSDD text
3. Solarz letter

LIMITED OFFICIAL USE

SECRET

-3-

-- The U.S. should reaffirm its commitment to convert non-defense-related aids to navigation (buoys) in Micronesia to a type which can be maintained by the Micronesians within their own local resources. Funding for this program, currently estimated to cost \$1.5 to \$2 million, should be sought as part of first-year Compact funding.

-- The U.S. should continue to manage the political status negotiations with the Micronesian governments through the interagency Office for Micronesian Status Negotiations as currently constituted -- i.e., as an independent element within the National Security Council system and an appendage of the Executive Office of the President, staffed and funded by the Departments of State and Defense -- and under the active oversight of an Interdepartmental Group with representatives of interested departments and agencies as full members and chaired by a principal officer of the Department of State.

-- The U.S. should seek an additional subsidiary agreement or minute of understanding in which the Micronesians would accept the immediate application to them of any legislated change to Section 936 of the Internal Revenue Code. Should this prove impossible, the fall-back provisions described on pages 117-118 of SIGM No. 5 should be considered.

-- The following issues should be made the subject of further study by the Micronesia IG, in accordance with the guidelines set forth on pages 118-121 of SIGM No. 5, and recommendations resulting from such study should be submitted to the SIG as required:

- (a) Northern Marshall Islands Nuclear Claims;
- (b) Plebiscite Ballot on the Compact of Free Association;
- (c) Phased Implementation of the Compact;
- (e) Encouragement of U.S. investment and involvement in the Micronesian states.

[(The following issue remained to be resolved at the meeting of the Senior Interdepartmental Group on 6 August.)]

With respect to the issue of management of the future relationship between the United States and Micronesia (recommendation (d) on pages 120-121 of SIGM No. 5), the majority of the IG, including State, Defense, JCS, Justice, OMB and USUN, believes that this issue should also be made the subject of further study and that no decision should be made until the negotiations are completed and the final shape of the new relationship is known.

SECRET

SECRET

-4-

Further study should include full consideration of the international implications of such a decision and of the views of the Congress and of the Micronesian governments.

The Department of the Interior differs with the majority recommendation and would prefer a decision at this time that Interior be designated to manage the future relationship. Interior believes it is in the national interest that administration of the future relationship with Micronesia be vested in the same department that has responsibility for managing the federal relationship with other closely-associated entities (i.e., Guam, American Samoa, the Virgin Islands and the Northern Mariana Islands; Interior does not manage the federal relationship with Puerto Rico, nor does any other department). Interior notes also that key members of the Senate Committee on Energy and Natural Resources and the House Committee on Interior and Insular Affairs, which now have oversight of territorial matters and to which the Compact of Free Association will presumably be submitted for approval in the first instance, have expressed their desire that Interior continue to administer the U.S. relationship with Micronesia after termination of the Trusteeship.

[(The August 6 SIG successfully resolved this issue. See NSDD.)]

SECRET

PROPOSED
NATIONAL SECURITY
DECISION DIRECTIVE

THE FUTURE POLITICAL STATUS OF MICRONESIA

The United States has administered the Trust Territory of the Pacific Islands, generally referred to as Micronesia, since 1947 under a strategic Trusteeship Agreement with the United Nations Security Council. The United States has broad and continuing interests in Micronesia which derive primarily from our strategic defense requirements and treaty commitments; from international considerations, including our philosophical commitment to the right of self-determination and our equivalent Trusteeship Agreement obligation; and from agency-specific interests and requirements.

The United States has developed self-government in the Trust Territory in accordance with its Trusteeship obligation. Palau, the Marshall Islands and the Federated States of Micronesia (FSM) each has an elected constitutional government. Negotiations for a new political status for the Trust Territory have been in progress since 1969 and have been concluded with respect to a fourth component of the Trust Territory, the Northern Mariana Islands, which approved in 1975 a "Covenant to Establish the Commonwealth of the Northern Mariana Islands in Political Union with the United States" (P.L. 94-241, March 24, 1976).

Since 1970, leaders of Palau, the Marshall Islands and the FSM have consistently advocated a different but still close political relationship with the United States known as free association. This unprecedented political status would ensure the continuation of our vital security and defense rights in Micronesia and, at the same time, recognize the competency of the governments of Palau, the Marshall Islands and the FSM in internal and foreign affairs. This foreign affairs competency is qualified, however, by consultation provisions and a bar against foreign affairs initiatives which the United States unilaterally determines are inconsistent with its security interests.

This political status is defined in a Compact of Free Association which was initialed by negotiators for the United States and the three Micronesian governments in 1980. The Compact cannot be signed now because only five of the 16 subsidiary agreements which the Compact requires have been negotiated and initialed. Several of the remaining eleven are as important as the Compact itself in shaping the free association relationship.

The Trusteeship arrangement has become an anachronism and does not serve our long-term interests. Further, our interests are ill-served by continued United Nations review and criticism of the U.S.-Micronesian relationship.

SECRET

SECRET

-2-

United States interests are best served by seeking termination of the Trusteeship Agreement at the earliest possible date on terms satisfactory to itself and to the governments of Micronesia.

The political status of free association, as set forth in the Compact and the subsidiary agreements so far initialed, meets the policy objectives and requirements which derive from our strategic and other interests. Free association will promote American interests by:

- Creating friendly, politically stable relationships as free of friction as any that can be devised;

- Orienting the Micronesians to the United States;

- Securing firmly United States security and defense requirements;

- Helping the Micronesian states to improve their economic condition and to decrease their dependence on the United States, and doing so at a cost lower than continuation of the Trusteeship; and

- Providing international legitimacy to the Micronesian states.

Free association, once approved by the Micronesian peoples in a plebiscite and by their governments, will be the most effective guarantor of our enduring interests in this strategically important area.

Accordingly, this Administration will inform the Micronesian governments that it accepts the initialed Compact and the initialed subsidiary agreements as the basis for conclusion of the political status negotiations, provided that the remaining subsidiary agreements are negotiated to mutual satisfaction. This Administration will also reaffirm its commitment to early termination of the United Nations Trusteeship Agreement but need not establish a deadline for so doing.

In the context of the resumed political status negotiations, the United States will reaffirm its commitment to the expenditure of approximately \$1.9 billion over the initial 15-year period of free association, as set forth in the initialed Compact and in the table which appears at page 87a of SIGM No. 5, subject to the adjustment formula in Section 217 of the Compact. Requests to the President and the Congress for grant assistance beyond that authorized by the Compact will be considered only under extraordinary circumstances.

SECRET

-3-

In the negotiation of the remaining agreements subsidiary to the Compact, the U.S. negotiators shall:

-- Seek the longest possible period of strategic denial which is identical for each of the Micronesian states but obtain it for no less than 100 years, and seek support of the British and French governments at a high level for this objective;

-- Seek use of the Kwajalein Missile Range (KMR) for 50 years, but obtain use for no less than 30 years. The negotiators are authorized to obtain use of KMR for years 31 through 50 on an option basis.

-- Seek provisions in the agreements subsidiary to the Compact which accord with detailed recommendations e.1. through e.7. on pages 113 through 116 of SIGM No. 5.

With respect to related matters not directly covered in the Compact or its subsidiary agreements:

-- The U.S. will continue to manage the political status negotiations with the Micronesian governments through the interagency Office for Micronesian Status Negotiations as currently constituted as an independent element within the National Security Council system and an appendage of the Executive Office of the President headed by a Personal Representative of the President and staffed and funded by the Departments of State and Defense and under the active oversight of the Interdepartmental Group on Micronesia chaired by a principal officer of the Department of State.

-- Defense will develop an execution plan which prioritizes projects and lists management needs in connection with the Palau infrastructure construction program. Interior will fund the cost of this plan, currently estimated at \$70,000, through its existing budgetary process. Specific design work will precede construction and will be funded from Compact funds.

-- The U.S. will reaffirm its commitment to convert non-defense-related aids to navigation (buoys) in Micronesia to a type which can be maintained by the Micronesians within their own local resources. Funding for this program, currently estimated to cost \$1.5 to \$2 million, is to be included in first-year Compact funding.

-- The U.S. will seek an additional subsidiary agreement or minute of understanding in which the Micronesians would accept the immediate application to them of any legislated change to Section 936 of the Internal Revenue Code. Failing such an agreement, U.S. negotiators may reaffirm Article V of Title Two of the Compact.

SECRET

SECRET

-4-

-- This Administration will establish an interdepartmental structure consisting of two levels: an interdepartmental policy steering committee chaired by State, with Defense, JCS, Interior, OMB and NSC as regular members and with other departments and agencies participating as subject-matter requires; and an interdepartmental professional staff tailored to the requirements of the new relationship, attached to and headed by State with deputies from Defense and Interior and with additional personnel seconded by these and other departments as needed.

-- Details of the organizational structure for management of the future relationship with the Micronesian states, including funding arrangements, as well as the additional issues listed on pages 118 through 121 of SIGM No. 5, will be the subject of future study and decision.

This directive supersedes any conflicting provisions of Presidential Directive/NSC 11 of May 5, 1977, Presidential Directive/NSC 34 of April 7, 1978, Presidential Directive/NSC 49 of June 6, 1979 and the National Security Council Memorandum of October 8, 1980, but otherwise reaffirms the contents of those Directives.

SECRET